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SUBJECT: DNSA PRICE'S VISIT TO VIETNAM

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11. (SBU) Summary: Assistant to the President and Deputy National Security Adviser for International Economic Affairs Daniel M. Price visited Hanoi for official meetings on March 20-21. He received assurances of Vietnam's interest on a BIT, on addressing IPR issues, and on USG technical assistance on bond market development. The Government of Vietnam (GVN) also queried Price on the Generalized System of Preferences (GSP) and on designation of Vietnam as a market economy. Press coverage was significant and very positive. End Summary.

MPI MINISTER PHUC SAYS VIETNAM INTERESTED IN A BIT

12. (SBU) In a March 21 meeting, Planning and Investment (MPI) Minister Vo Hong Phuc told Deputy National Security Adviser (DNSA) for International Economic Affairs Daniel Price that concluding a Bilateral Investment Treaty (BIT) would be "very significant," and that it would help push U.S. investment and the overall U.S.-Vietnam relationship to a higher level. Noting that Vietnam recently signed a BIT with Japan, Phuc said he "looks forward to concluding" one with Washington as well. Phuc thought that experts from both sides "should meet more regularly" and step up efforts "to conclude an agreement." Phuc told the DNSA that the GVN is "politically committed" to negotiating a BIT and stressed that the experts going with the Minister to the United States next month will be prepared to discuss the agreement. (Note: We view Phuc's comments as significant because we will need high-level commitment to force a reluctant GVN bureaucracy to negotiate a BIT.)

13. (SBU) Minister Phuc also noted that Vietnamese business people also need to learn more about U.S. laws and regulations, which is partly why a host of local business leaders will accompany him on his trip to the United States in the second week of April. DNSA Price expressed his interest in seeing Phuc in Washington and emphasized that the two sides must seize opportunities to push BIT talks forward because "negotiation resources are scarce."

14. (SBU) Minister Phuc agreed that creating a transparent, predictable and stable environment is critically important to drawing more foreign investment to Vietnam. Vietnam needs to attract more U.S.-based strategic investors, he added. He claimed, however, that Vietnam deserves "preferential treatment" because of its developing country status. In clarifying this point, Phuc pointed to the issues of technology transfer, investment market

openness and "favorable conditions" for exporters. DNSA Price responded that in almost all cases in the U.S., foreign investors are treated the same as U.S. domestic companies. Moreover, Vietnam would have a chance to raise national treatment exceptions if it enters into BIT negotiations.

MOF WELCOMES TECHNICAL ASSISTANCE, EXPLAINS FINANCIAL SERVICES

15. (SBU) In a cordial meeting at the Ministry of Finance (MOF), Vice-Minister Tran Xuan Ha reviewed, in comprehensive detail, Vietnam's progress on implementing macro-economic reform and its WTO commitments, despite the fact that it is a developing country that comes from a "low starting point." Ha praised U.S. technical assistance, including USAID's STAR program, and noted the MOF's "improved relationship" with the U.S. Department of Treasury, which is now providing the GVN with key technical assistance on tax, insurance and SME credit guarantee. Ha was enthusiastic that the GVN would soon be receiving more assistance from Treasury to develop Vietnam's capital and debt markets.

16. (SBU) DNSA Price emphasized to Vice Minister Ha that capital market liberalization is a very high U.S. priority. In particular, he asked about Vietnam's commitment to allow access to 100 percent foreign-owned fund management companies and securities firms. From a U.S. investment banking perspective, Price said, activities of underwriting, securities trading, asset management and financial advisory are often all integrated, and he expressed concern about treating such services separately from securities / fund management firms and thus creating unnecessary over-regulation and division. Ha explained that Vietnam hoped to liberalize such financial service markets earlier than its 2012 WTO commitment. He further explained that Vietnam's current regime had different regulations for securities firms and asset management firms but that Vietnamese-owned firms could currently provide such broad and integrated services. Ha said it was the MOF's intention to allow 100 percent foreign-owned asset management companies to operate in

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Vietnam before the 2012 WTO deadline.

MOIT ON GSP AND MARKET STATUS

17. (SBU) In his meeting with Industry and Trade Minister (MOIT) Vu Huy Hoang, DNSA Price again raised the BIT, calling it the "next critical step" in the U.S.-Vietnam economic partnership. Price, however, warned Hoang that Vietnam must do more to implement and uphold intellectual property rights (IPR) under the WTO and Bilateral Trade Agreement. While Hoang agreed there was more work to do, he said the GVN had been striving to fulfill its commitments under these agreements.

18. (SBU) Price next encouraged the GVN to open its markets to U.S. beef, following a recent endorsement by the World Organization for Animal Health (OIE) that designated U.S. beef products as safe for global trade. Hoang replied that the Vietnam's Ministry of Agriculture and Rural Development (MARD) would take the lead on beef imports and would continue to work with the United States on this issue.

19. (SBU) DNSA Price also endorsed further economic integration in East Asia and observed that the ASEAN region is the United States' number one trading partner and fifth largest export market. Hoang said Vietnam highly appreciated the U.S.'s active relationship with ASEAN and noted that President Nguyen Minh Triet had just ratified the landmark ASEAN Charter the previous day, making Vietnam the fifth ASEAN nation to do so (after Singapore, Burma, Laos and Malaysia). The Charter, signed in 2007, aims to commit ASEAN members to promote human rights and democratic principles.

110. (SBU) Min. Hoang also told DNSA Price and the Ambassador that Vietnam intends to apply for GSP. Both Price and the Ambassador observed that IPR and labor are two areas that remain particularly problematic for Vietnam and could hinder its chances for GSP consideration.

¶11. (SBU) Turning to Vietnam's current designation as a "non-market economy," Hoang asked if the U.S. Department of Commerce could evaluate individually, rather than collectively, the six criteria used to determine market economy status. Hoang said this methodology would allow the GVN to focus exclusively on the problem areas while demonstrating to its regional trade partners that it had satisfied some of the criteria. Price replied that he did not believe that a decision on less than all six criteria would make much of a difference but said that he would pass along the message to Commerce.

OOG'S PHUC ON VIETNAM'S COMMITMENTS, IPR AND BEEF

¶12. (SBU) Office of Government Minister-Chairman Nguyen Xuan Phuc warmly welcomed DNSA Price to Vietnam, on his own and on behalf of the Prime Minister, noting that he personally appreciated Price as a trusted interlocutor on trade issues due to his "open, honest and straightforward approach." Chairman Phuc highlighted his country's sincerity in fulfilling its BTA and WTO commitments. He reassured Price of the GVN's resolve to continue to establish a market-based economy and to open the economy in sensitive sectors, including insurance, finance and banking.

¶13. (SBU) DNSA Price congratulated Phuc for Vietnam's recent progress, and expressed his confidence that the country is now ready to take the next step of beginning BIT discussions with the U.S. In particular, the DNSA noted that it will be necessary to show continued progress on IPR protection in Vietnam as well as expanding market access for U. S. beef. Noting that his team had discussed both issues earlier in the day during the TIFA Senior Officials Meeting (Septel), Chairman Phuc reiterated the Prime Minister's recent directive on setting criminal penalties for commercial-scale IPR violations as well as Vietnam's determination to resolve market restrictions for beef to the satisfaction of both parties.

¶14. (SBU) DNSA Price told the OOG Chairman that he would be holding a press conference directly following his meeting at the OOG, where he intended to publicly commend the GVN for moving toward greater administrative predictability, consistency and transparency through its Project 30 (the GVN's new administrative reform project). Phuc thanked the DNSA for U.S. assistance programs like STAR and the National Competitive Initiative (VNCI) in support of its

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administrative reforms efforts and requested that the United States give serious consideration to providing further support. Phuc closed the session by again thanking Price for his openness and Mission Vietnam for being a reliable partner.

VISIT GETS POSITIVE PRESS COVERAGE

¶15. (SBU) Price closed the day with an open press event for local and foreign journalists. After delivering remarks on his earlier meetings, the bilateral relationship (including the BIT) and Vietnam's regional and global integration, Price took questions from a number of reporters. British (BBC), U.S., Chinese, and many domestic outlets carried extensive positive coverage of the visit in the following days. Domestic press focused on the DNSA's forecast that Vietnam would weather its current inflationary spell, his praise for Project 30, and his message on strengthening bilateral trade ties.

¶16. (U) This cable was cleared with DNSA Price prior to his departure from Vietnam.

MICHALAK